

JOINT ISSUES COMMITTEE
STATE CAPITOL MEETING ROOM
SEPTEMBER 28, 2006

David Ewer, Facilitator, called the meeting to order at 10:00 a.m. on Thursday, September 28, 2006.

Present at this meeting:

David Ewer, Budget Director
Tim Ryan and Scott Dubbs, Teachers' Retirement Board
Jack Prothero and Terry Cohea, Board of Investments
Carole Carey and John Paull, Public Employees Retirement Board
Carroll South, Board of Investments Executive Director
Roxanne Minnehan, MPERA Executive Director
David Senn, Teachers' Retirement System Executive Director

Others in attendance:

Melanie Symons, MPERA Legal Counsel
Scott Miller, MPERA Legal Assistant
Kim Flatow, MPERA Member Services Bureau Chief
Amy Carlson and Christi Moyer, Office of Budget and Program Planning
Mat Gouris, Associated Press
Kory Skinner and Linda Owen, MPERA

There was discussion on the importance of messaging that retirement benefits are secure. David Ewer spoke in support of the Defined Benefit Retirement Plans. It was noted that 65% of state employees are eligible to retire in the next 5 years. There was discussion of having an informational session for Legislators with presentations by the Boards, the Actuary, etc. Mr. Ewer proposed providing significant funding of \$100M for the Teachers' Retirement System (TRS), and he proposed raising their GABA to 2%. He also wants to propose decreasing the PERS GABA from 3% to 2% for new hires in all systems so everyone is on an even playing field. The Governor has made no firm decisions in any area at this time.

Dave Senn addressed the large liability of TRS, which they are working very hard to remedy. People are concerned for their retirement and they are trying to reassure them that it will be fixed. David Ewer said he would propose to raise the TRS GABA to 2%. Mr. Ewer also proposed to lower the PERS GABA from 3% to 2% for new hires to make an even playing field.

Carroll South spoke about increasing investment diversification and increasing the number of active managers since two-thirds were passively managed. The BOI has entered the Real Estate market and they have also hired four new international investment managers, hoping all of this will increase investments.

Carole Carey had asked Mr. Ewer if any money would be given to the PERS, to which he responded that PERS would get \$1M to pay off the DC loan. He felt it was easier to manage the PERS contribution rates because there is less impact on property taxes. Mr. Ewer does not propose helping the Sheriffs' Retirement System; they should be part of the solution because they were so adamantly for the detention officer bill. Also the employee/employer rate does not cover new hires, and the counties seem to have a potpourri of money. Mr. Ewer suggested setting the stage for new hires. We need to have incremental changes and be realistic by living within our means.

Tim Ryan addressed the unmet promise within the statutes to increase the TRS GABA eventually to 3%, once they meet a specific amount of amortizing for their unfunded liability. This could be phased-in by increments of .10% until 3% is reached.

Dave Senn talked about the sunset provisions possibly being taken out. Phased-in retirement increases over a biennium would be easier for the Legislature, employers, and the public to swallow. There is the benefit of time to change the second increase if the actuarial valuation indicates a need.

There was discussion of other options to pursue, such as bonding and increasing employer contributions. Mr. Ewer said Senator Shockley has some legislation on general obligation bonds which may help. Time will tell.

The next meeting will be held December 13, 2006, after Election Day and the SAVA committee meeting on Nov. 28th and 29th. Meeting was adjourned at 12:10 pm.